

Actuarial Memorandum and Certification

Effective January 1, 2021

The purpose of this actuarial memorandum and certification is to provide information related to Molina Healthcare of Mississippi, Inc.'s (Molina) Part I Unified Rate Review Template submission to the Mississippi Marketplace Individual Marketplace (Mississippi Marketplace).

The actuarial memorandum and certification describe Molina's rating methodology used to develop rates for Individual products offered on the Mississippi Marketplace effective January 1, 2021. Molina will not market Individual products outside of the Mississippi Marketplace.

Molina Healthcare of Mississippi, Inc. is a managed care organization that provides healthcare services for individuals eligible for Medicaid and Marketplace throughout the State of Mississippi. Molina Healthcare of Mississippi, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 15 states across the nation and in the Commonwealth of Puerto Rico, Molina serves more than 3.4 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families. Today, we continue his mission of providing high quality and cost-effective health care to those who need it most.

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GENERAL INFORMATION

The information below documents the company identifying and contact information entered into the general information section of Worksheet 1 of the Unified Rate Review Template (URRT).

Company Identifying Information

Company Identifying Information	
Legal Name:	Molina Healthcare of Mississippi, Inc
State:	Mississippi
HIOS Issuer ID:	79975
Market:	Mississippi Individual Marketplace
Effective Date:	1/1/2021

Company Contact Information

Company Contact Information	
Contact Name:	Stephanie Li
Telephone #:	415.297.9940
E-mail:	stephanie.li@molinahealthcare.com

PROPOSED RATE INCREASE(S)

Molina's rate filing reflects the following rate changes by metal tier for Molina's [REDACTED] members enrolled effective April 1, 2020 reported as of April 2020.

The rate changes vary by metal tier due to changes in the Actuarial Value (AV) and Cost Share Design (CSD) Pricing Values assigned to each metal plan that are applied to the Plan Adjusted Index Rate.

Rate Change by Plan						
Plan ID	Product Name	Metal Tier	Members	Rate Change		
				Average	Minimum	Maximum
[REDACTED]						

Reason for Rate [REDACTED]: The following factors contribute toward the overall [REDACTED] in the proposed rates.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Rate changes vary by metal tier due to changes in Actuarial Value and Cost Share Design (CSD).

MARKET EXPERIENCE

Per 45 CFR part 156, §156.80, Molina's rate development is through Single Risk Pool methodology and manual rate development. There is no prior Molina experience available.

Experience and Current Period Premium, Claims and Enrollment

Not Applicable. The rate development is based on manual rate development, which is further described below.

Benefit Categories

All experience claims were assigned to benefit categories utilizing Milliman's MedInsight Health Cost Guidelines (HCG) grouper. The following table displays the measurement units related to each benefit category.

Benefit Categories	
Benefit Category	Description
Inpatient Hospital	Days
Outpatient Hospital	Visits
Professional	Services
Other Medical	Services
Capitation	Benefit Period
Prescription Drug	Prescriptions

Projection Factors

Not Applicable.

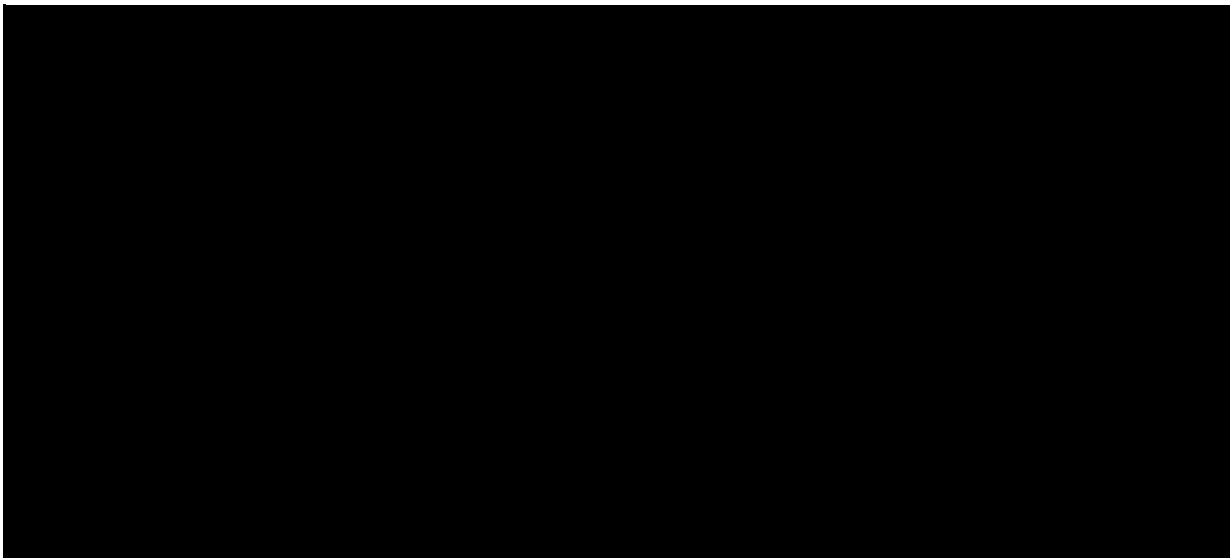
Manual Rate Adjustments

Source and Appropriateness of Manual rate Used:

The manual rate was developed using [REDACTED]
[REDACTED]. The source of data is appropriate because [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The manual EHB allowed claims PMPM reported in Worksheet 1, Section II of the URRT represents the adjusted manual rate for the 2021 plan year.

Manual Allowed and Incurred Claims in Experience Period: The following table reports the allowed and incurred claims during the experience period of [REDACTED] to [REDACTED].



Allowed claims for the experience period were calculated by adding the plan incurred paid claims and the member cost-sharing for medical and pharmacy claims. The allowed claims calculation applies to both fee-for-service claims and capitation costs.

Completion factors were applied to both the allowed and incurred medical claim amounts. [REDACTED]

[REDACTED]

All medical claims are paid through the claims system. Pharmacy claims are processed through a pharmacy benefit manager.

Adjustments Made to the Data

Morbidity Adjustment: The population morbidity adjustment is [REDACTED]

[REDACTED]

[REDACTED]

Acuity Adjustment
[REDACTED]

Demographic shift: A demographic adjustment factor was applied to the manual claims experience to reflect the anticipated change in the demographic mix from the manual rate experience period to the 2021 projection period.

The anticipated demographic mix for Mississippi is [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Manual Rate Development
[REDACTED]

Geographic Adjustment: A geographic adjustment factor was applied to the manual rate [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED].

Plan Design Changes

Product Mix Adjustment: A product mix adjustment factor was applied to the manual rate [REDACTED]

[REDACTED].

Product Mix Adjustment
[REDACTED]

Internal Reinsurance Recoverable: The manual experience period claims were adjusted for amounts above a certain threshold for which an internal reinsurance program covers part of the plan liability.

Internal Reinsurance Adjustment: Similarly, the expected costs of coverage for the internal reinsurance program was applied to the projection period.

Trend Factors: Trend factors were applied separately for unit cost and utilization and by each major benefit category. The annual claims trends were used to trend the manual rate forward 24 months from the midpoint of the base period, [REDACTED], to the midpoint of the projection period, July 2021.

Utilization and unit cost trends were developed [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The chart below shows each annual trend by category of service.



Inclusion of Capitation Payments: All capitated payments are included in the manual rate development.

The following tables summarize the adjustments made to the manual rate data.

Index Rate Adjustment	Factors

Credibility of Experience

Molina calculated the credibility percentage to apply to the experience data based on the experience period member months and the credibility formula below:

Member Months		Experience Period	Manual Rate
Low	High	Weight	Weight
0	11,999	0.0%	100.0%
12,000	23,999	50.0%	50.0%
24,000	+	100.0%	0.0%

Molina’s 2019 experience in Part I of the Unified Rate Review Template (URRT) is based on 0 member months, resulting in a credibility percentage of 0.0%. This method is consistent with the applicable American Academy of Actuaries’ Actuarial Standards of Practice (ASOP) No. 25 Credibility Procedures.

Establishing the Index Rate

Index Rate: The index rate is developed following the specifications of 45 CFR part 156.80(d)(1). The index rate for the projection period is estimated to be [REDACTED]. The index rate represents the estimated total allowed claims experience for the essential health benefits within the Mississippi

Marketplace. The index rate does not include adjustments for the risk adjustment and reinsurance programs or an adjustment for the Mississippi Marketplace user fee.

The projected EHB allowed claims in Worksheet 1, Section II of the URRT is [REDACTED], which is consistent with the Projected Allowed Claims PMPM in the exhibit below.

Index Rate
[REDACTED]

Development of the Market-wide Adjusted Index Rate

Reinsurance

Not Applicable.

Risk Adjustment Payments and Charges

Projected Risk Adjustments PMPM:

The risk transfer estimates for 2021 [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

2020 and 2021 results were projected as followed:

- | [REDACTED]
[REDACTED]
[REDACTED]

- | [REDACTED]
[REDACTED]
[REDACTED]

The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The following table summarizes the development of the 2021 risk transfer estimate.

Risk Transfer Estimate
[REDACTED]

The impact of the national high-risk pool fund [REDACTED]

The resulting 2021 risk transfer receivable estimate is [REDACTED] per member per month (PMPM).

The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The 14% administrative cost reduction is factored in for 2020 and 2021 transfer estimates.

Exchange User Fee: Mississippi Marketplace will charge a fee of [REDACTED] of premium for Molina's members enrolled in Mississippi Marketplace. The Exchange user fee is applied at the Market adjusted Index Rate.

Market Adjusted Index Rate: The market adjusted index rate is developed following the specifications of 45 CFR part 156.80(d)(1). Molina modified the index rate provided in URRT Worksheet I to a market adjusted index rate as follows:

Market Adjusted Index Rate
[REDACTED]

Plan Adjusted Index Rate:

The plan adjusted index rates are developed following the specifications of 45 CFR part 156.80(d)(2). The plan adjusted index rates are entered in Worksheet 2, Section IV, of the URRT Template. Molina calculated the plan adjusted index rates by applying plan specific level adjustments for actuarial value, cost sharing utilization, additional benefits, and administrative costs, excluding exchange user fees, to the market adjusted index rate.

Plan Adjusted Index Rates
[REDACTED]

Paid to Allowed Ratio:

The Paid to Allowed ratio reflects the estimated cost-sharing in the projected period. The actuarial value (AV) for each product was [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The Paid to Allowed ratio is the average of the AVs weighted by projected allowed claim costs. The table below documents the Paid to Allowed ratio factor entered in the URRT, Worksheet I, Section III.

Paid to Allowed Ratio



AV and Cost Sharing Design:

The tables below show the details of Molina’s AVs and Cost Sharing Design (CSD) adjustment factors. CSD factors were developed [REDACTED]



Provider Network, Delivery System Characteristics, and Utilization Management Practices: Rates do not vary for variations in provider network, delivery system characteristics, and utilization management.

Benefits in Addition to EHB: Molina provides an Adult Vision benefit as an optional benefit for the Molina Healthcare + Vision product (Plan IDs beginning with 79975MS002) which is priced at cost [REDACTED].

Worksheet 2, Section IV of the URRT shows the Adult Vision Optional Benefit in the “Other benefits portion of Total Premium” and “Other benefits portion of Total Allowed Claims”.

Administrative costs, excluding Exchange User Fees:

Molina converted all administrative costs, excluding the Mississippi Marketplace Fee, to a multiplicative factor, which varies for each plan according to differences in premium. The overall multiplicative factor is shown in the table below.

Administrative Costs Excluding Exchange Fee
[REDACTED]

Catastrophic plans:

Not Applicable.

Non-Benefit Expenses and Profit & Risk

Administrative Expense Load: Administrative costs were developed [REDACTED]

Amounts for broker commissions were added to the administrative costs. The expected administrative expense load is [REDACTED]. The administrative expense is lower than the administrative expense load included in Molina's previously approved rate filing.

Administrative Expense Load
[REDACTED]

The administrative expense load varies by metal tier as shown in the table below.

[REDACTED]
[REDACTED]

Broker Commissions: Molina expects broker commissions of [REDACTED] PMPM in 2021, based on a projection of new and renewing members sold through the broker channel.

Commission Estimate
[REDACTED]

Profit & Risk Margin: Molina's target after-tax margin is [REDACTED]. The target margin is the same as Molina's previously approved rate filing.

Taxes and Fees: Molina's [REDACTED] estimate of taxes and fees is [REDACTED] than the previously approved rate filing estimate.

Taxes and Fees
[REDACTED]

Taxes and Fees vary by metal tier as shown in the table below.

Taxes and Fees
[REDACTED]

Calibration

Age Curve Calibration: Molina calibrated the Plan Adjusted Index Rates to an age 21 rate. Molina estimates the average composite age factor by multiplying the expected age distribution by the age factors. The calibration factor of [REDACTED] equals the age factor at age 21 divided by the average age factor [REDACTED]. Please note an additional adjustment was implemented in the age calibration process to account for the dependent cap where only the 3 eldest children's premiums contribute to the family premium.

Age Curve Calibration

The average age of the single risk pool is estimated to be ■ years of age, calculated by multiplying the expected age distribution percentages by the age. An average age of ■ was assumed for the age 0-14 cohort in the average age estimate. Premium rates are based on the attained age as of the coverage effective date and will not be re-rated/adjusted when a birthday occurs during the year after the coverage starts.

Geographic Factor Calibration: Geographic factors were applied to the index rate in the calculation of region-specific rates. [REDACTED]

[REDACTED]

Geographic Factor Calculation
[REDACTED]

A table summarizing the 2020 and 2021 geographic factors is provided below.

Geographic Factor Calculation
[REDACTED]

Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rates are calibrated to an age 21 premium with an area factor of [REDACTED]. Only the allowable rating factors will be applied to the Consumer Adjusted Premium Rates. A document identified as “Molina Ind Rate Exhibits - Mississippi” demonstrates how each allowable consumer level adjustment is applied to the Consumer Adjusted Premium Rates to determine the premiums.

Calibrated Plan Adjusted Index Rates
[REDACTED]

PROJECTED LOSS RATIO

The projected medical loss ratio (MLR) using the federally prescribed MLR methodology is [REDACTED] for calendar year 2021 based on the ratio of projected incurred claims divided by projected revenue.

Molina Medical Loss Ratio Calculation - 2021			
Item	MLR Calculation	Comments	Calculation
[REDACTED]			

PLAN PRODUCT INFORMATION

AV Metal Values

All benefit plans Molina proposes to offer meet ACA essential health benefit (EHB) requirements. The actuarial value (AV) for each product was based on output from the CMS 2021 AV Calculator.

Silver plan premium rates for benefit year 2021 were developed without federal funding for the cost sharing reduction (CSR) program by [REDACTED] No adjustments were necessary for the Platinum, Gold, Bronze, or Catastrophic plans based on the funding status of the CSR program. The following table illustrates the actuarial values included in the rate filing.

Actuarial Metal Values			
Plan ID	Metal	FPL	Actuarial Value

AV Pricing Values

AV pricing value of each plan only includes the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). Cost-sharing adjustments ensure that differences due to health status were not included in the adjustment.

The modifiers are applied to the index rate as shown in the following table.

Actuarial Value Pricing
[REDACTED]

Membership Projections

Molina is filing rates in 82 counties representing 6 rating regions. The membership projection is based on anticipated renewals of existing members and new members in 2021. Molina assumed [REDACTED] of its existing members would renew coverage in 2021. New membership is based on an estimated proportion of the total number of members enrolled in Mississippi Marketplace by county. The source of the new members is mostly from other carriers.

Molina's enrollment projections by plan, including cost-sharing reduction eligible plans, were based on the proportion of enrollment enrolled in those plans as of April 2021.

Membership Projections by Region
[REDACTED]

Molina plans to offer its products in all counties statewide.

Terminated Products

A summary of Molina’s terminated, renewing, and new products is provided in the following table:

Terminated Plans and Mapping					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	New Plan ID
None	NA	NA	NA	NA	NA

Renewing Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
79975MS0010001	Jan 2020 --	Confident Care Gold 1	Gold		
79975MS0010002	Jan 2020 --	Constant Care Silver 1	Silver		
79975MS0010003	Jan 2020 --	Core Care Bronze 1	Bronze		
79975MS0030001	Jan 2020 --	Constant Care Silver 2	Gold		
79975MS0030002	Jan 2020 --	Core Care Bronze 2	Silver		
79975MS0020001	Jan 2020 --	Confident Care Gold 1 + Vision	Gold		
79975MS0020002	Jan 2020 --	Constant Care Silver 1 + Vision	Silver		
79975MS0020003	Jan 2020 --	Core Care Bronze 1 + Vision	Silver		

New Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
79975MS0010004	Jan 2021 --	Constant Care Silver 4			
79975MS0010005	Jan 2021 --	Core Care Bronze 4			
79975MS0010006	Jan 2021 --	Core Care Bronze 5			

Plan Type

All benefit plans are comprehensive HMO individual products.

MISCELLANEOUS INSTRUCTIONS

Effective Rate Review Information

Not applicable.

Reliance

Not applicable.

COVID-19 Impact on 2021 Rates

Background

The emergence of the novel coronavirus (COVID-19) introduces an unusual level of uncertainty in developing 2021 premium rates. The primary data source used to develop 2021 premium rates is based on pre-COVID experience from the 2018 benefit year. While we have analyzed emerging experience available through May 2020, the full-year impact on the 2020 benefit year remains unclear. It will depend on many factors, such as the return of pent-up demand for deferred services, subsequent waves of virus transmission, and related changes to healthcare utilization driven by social distancing measures. Looking forward to 2021, uncertainty increases as the range of possible outcomes widens even further, particularly regarding undeveloped treatments such as a vaccine. Molina developed a COVID-19 forecast model to assess various scenarios of testing, treatment, and utilization patterns for COVID patients and non-COVID related services in order to quantify the expected impact of COVID-19 on 2021 healthcare costs.

Emerging Experience

We have closely monitored emerging experience for services incurred in March, April, and May of 2020. While the observed time period is relatively short, it has provided valuable insight into the incidence rate of COVID-related testing and treatment and the demand for non-COVID related services. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Future Developments

As economies begin to re-open, we anticipate a return of pent-up demand for non-COVID related services and an increase in the incidence of COVID-related diagnoses. Through the remainder of 2020 the incidence rates of COVID-related diagnoses and the utilization of non-COVID related services will depend on the availability, cost, and uptake of COVID-related testing and policy decisions related to social distancing.

Scenario Modeling

We developed a range of plausible scenarios to quantify the potential impact of COVID-19 on healthcare costs in 2021. Key assumptions include:

- [REDACTED]

2021 Rate Impact

The outcome of our scenario modeling resulted in both upward and downward impacts on our rate development. [REDACTED]

Caveats

While we recognize that our model accounts for numerous effects of COVID-19 on healthcare costs, [REDACTED]

We will continue to monitor and update our COVID-19 forecast model based on emerging experience and external data. We reserve the right to revise the factor used to represent the expected impact of COVID-19 on 2021 premium rates as more information becomes available. Changes may include modeling new scenarios, updating assumptions for existing scenarios, and/or revisions to risk and contingencies margin.

Actuarial Certification

I, Stephanie Li, as a member in good standing with the American Academy of Actuaries, hereby certify, to the best of my knowledge and judgment, the following:

The projected index rate is:

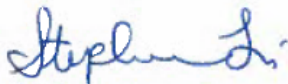
- a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
- b. Developed in compliance with the applicable Actuarial Standards of Practice
- c. Reasonable in relation to the benefits provided and the population anticipated to be covered
- d. Neither excessive nor deficient

The index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

The percent of total premium that represents essential health benefits included in Worksheet 2, Section III was calculated in accordance with actuarial standards of practice.

The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

The 2021 AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template.



Stephanie Li, ASA, MAAA
Manager, Actuarial Services
Molina Healthcare

July 23, 2020

Date